



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Julia H. Cooper  
David Sykes  
Jennifer A. Maguire

**SUBJECT:** SEE BELOW

**DATE:** May 7, 2014

Approved

Date

5/9/14

**SUBJECT: MASTER EQUIPMENT LEASE AGREEMENT FOR ENERGY  
CONSERVATION EQUIPMENT AND INCREASE IN MAXIMUM  
COMPENSATION TO ENERGY SERVICES AGREEMENT**

## RECOMMENDATION

It is recommended that the City Council:

- (1) Adopt a resolution authorizing the execution and delivery of a master equipment lease/purchase agreement with Banc of America Public Capital Corp, as lessor, and separate schedules thereto for the acquisition, purchase, financing and leasing of certain equipment that constitutes an energy conservation facility in a principal amount not to exceed \$30 million; authorizing the execution and delivery of other documents required in connection therewith; and authorizing the taking of all other actions related thereto;
- (2) Adopt a resolution authorizing the Director of Public Works to negotiate and execute an amendment to the Energy Services Agreement with Chevron Energy Solutions increasing the maximum compensation from \$21,093,029 to \$23,482,781 to accommodate the conversion of 3,127 additional streetlights to LED technologies; and
- (3) Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund for 2013-2014:
  - a. Increase the revenue estimate for Other Revenue by \$27,063,135; and
  - b. Establish a City-wide appropriation to the Public Works Department for the Energy and Utility Conservation Measures Program in the amount of \$27,063,135.

## **OUTCOME**

Approval of these recommendations will result in the execution and delivery of a master equipment lease and purchase agreement (the "Agreement") that, for a period of five years, enables the execution and delivery of separate lease schedules (each a "Lease") with Banc of America Public Capital Corp ("the Bank") to finance utility conservation equipment ("Equipment") to be installed at City facilities according to the Energy Services Agreement to be entered into with Chevron Energy Solutions ("Chevron") plus costs related to the installation and financing of the Equipment, up to an amount of \$30 million. Additionally, approval of these recommendations will result in the increase of maximum compensation in the Energy Service Agreement with Chevron from \$21,093,029 to \$23,482,781 for the expanded project scope conversion of 3,127 additional streetlights to LED technologies.

## **EXECUTIVE SUMMARY**

Chevron Energy Solutions ("Chevron") has identified energy and utilization projects throughout the City. The contract with Chevron was authorized with a maximum compensation of \$21,093,029; however, Council's direction to increase the number of streetlight conversions causes the maximum compensation to increase to \$23,482,781. These projects will be financed through a master equipment lease with Banc of America Public Capital Corp with terms no longer than 20 years. The agreement requires that as long as the City has beneficial use of the Equipment, the City will take all necessary actions to include the lease payments required under the leases in the annual budget and to make the necessary appropriations. ***The City's obligation to budget is based on the beneficial use of the equipment regardless of the realization of any utility costs savings.*** Staff's analysis shows that there will be negative cash flow in the beginning years of the leases, and the General Fund and potentially other City funds will need to back-fill those years when there are not sufficient utility savings to cover the annual lease payments.

## **BACKGROUND**

### **Energy Services Agreement with Chevron**

On April 8, 2014, the City Council adopted a resolution authorizing the Director of Public Works to negotiate and execute an Energy Services Agreement with Chevron Energy Solutions ("Chevron") to implement energy and utility conservation projects ("Conservation Projects") in an amount not to exceed \$21,093,029, before the City obtains and appropriates the necessary funding at Chevron's risk. As of the date of this memorandum, the Director of Public Works anticipates that the Energy Services Agreement will be executed by mid-May 2014. More detailed information regarding the agreement with Chevron can be found on the City Council's agenda webpages for the Council meetings of February 11, 2014 and April 8, 2014.

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Additionally, the City Council's actions on February 11, 2014 and April 8, 2014 included direction for staff to add additional LED streetlight conversions in high crime areas and areas where copper wire theft is prevalent. Considering these factors, along with priority areas identified by the Department of Transportation, the volume of proposed LED streetlight conversions increased from 15,000 units to 18,127 units. An increase in the maximum compensation to the Energy Services Agreement with Chevron would be required to accommodate the costs associated with the procurement, installation, and project management for the additional 3,127 conversions.

The Conservation Projects, by City facility, anticipated to be completed by Chevron are identified in Exhibit A to this memorandum.

### **Master Equipment Lease Financing**

In order to finance the Conservation Projects identified by Chevron, the Finance Department, working with the City's financial advisor for environmental projects, determined that an equipment lease structure would be the best choice for financing these improvements taking into account the City's desire to not issue additional lease revenue bonds or lease revenue notes to finance the equipment. In January 2014, the City's Finance Department released a Request for Bids to select a qualified financial institution to enter into a master lease agreement to finance various Conservation Projects (the "RFB"). The RFB specified that the City was requesting taxable financing options, in addition to tax-exempt financing options, in order to avoid current and potential future private-use restrictions associated with tax-exempt financing. In February 2014, the Finance Department selected Banc of America Public Capital Corp (the "Bank") to provide the master lease financing, subject to City Council approval, as the Bank was the only responsive bidder.

## **ANALYSIS**

### **Energy Services Agreement**

The Energy Services Agreement with Chevron was authorized with a maximum compensation of \$21,093,029. The energy conservation measures originally listed in the Energy Service Agreement's scope of work (Exhibit A of this memorandum) included the installation of solar photovoltaic and solar thermal systems, the replacement of indoor and outdoor lighting fixtures, water efficiency and mechanical system retrofits, and the conversion of 15,000 streetlights to LED lamps and wireless controls. With the City Council's direction at the April 8, 2014 meeting to target additional areas within the City that have higher crime rates and occurrences of copper wire theft, the volume of streetlight conversions increased from 15,000 units to 18,127 units. Equipment procurement and installation costs for the additional 3,127 conversions are estimated at \$1,685,453, with Chevron overhead costs estimated at \$648,899 (38.5%). Chevron will also be required to perform additional auditing work on the existing streetlights prior to the conversion work in order to verify current lamp wattages and other lightpole specific details,

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which is an industry standard process. The auditing work is at an estimated cost of \$40,000, plus Chevron's overhead cost of \$15,400. As such, the total maximum compensation payable to Chevron to administer all project related work would increase from \$21,093,029 to \$23,482,781.

### **Master Equipment Lease/Purchase Structure**

Under California law, the City may enter into a lease with a lessor to acquire equipment. So long as the City has beneficial use of the equipment, the City must continue to make the lease payments to the lessor. If there is substantial interference with the City's beneficial use of the leased equipment, such as damage or destruction from a fire, then the City's obligations to make lease payments must be "abated."

The proposed Master Equipment Lease/Purchase Agreement, or "Agreement", provides for the general terms and conditions governing the lease of the Conservation Projects. The Equipment Schedule and Payment Schedule will specify the terms applicable to the specific projects to be financed, including a description of the projects and their location, the method of payment by the Bank to the City for the acquisition of the Conservation Projects, the amount of lease payments and schedule of lease payments by the City to the Bank, and the terms of the City's prepayment of the lease payments. These Schedules are referred to as the "Leases." For a five year period following the execution of the Agreement, the City will have the ability to enter into Leases with the Bank provided that the City is not in default and that there has been no material change to the City's financial condition as specified in the Agreement.

The Agreement requires that as long as the City has beneficial use of the Equipment, the City will take all necessary actions to include the lease payments required under the leases in the annual budget and to make the necessary appropriations. The City's obligation to budget is based on the beneficial use of the equipment regardless of the realization of any utility costs savings. The Leases give the City the right to the use of the Equipment for as long as the City meets its financial obligations under the Leases.

Each piece of Equipment is leased by the City from the Bank for a period not to exceed its useful life, capped at 20 years. Equipment with useful lives greater than 20 years (i.e., solar photovoltaic panels and solar thermal have estimated useful lives of 25 years) will be leased for a period less than its useful life because the Bank limits the Lease term to 20 years. Upon full payment of all amounts owed under a Lease, the City will own all Equipment free and clear and the security interest the Bank has in the Equipment will cease.

### **Plan of Finance**

#### ***Equipment and Related Costs to be Financed***

This is a summary of the equipment and other related estimated costs to be financed including the cost of the additional streetlight conversion:

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<u>Description</u>	<u>Estimated Cost</u>
Direct Costs of Equipment/Installation	\$16,915,077
Chevron Markup on Direct Costs (38.5% of all direct costs plus \$55,400 additional streetlights audit fee)	6,567,704
Public Works Project Management (15% of all direct costs)	2,537,261
Dept. of Transportation Project Management (10% of direct costs for streetlights only)	988,093
Financing Costs <sup>1</sup>	55,500
<b>Total Projected Costs to be Financed</b>	<b>\$27,063,635</b>

This is a breakdown of the estimated direct costs, including installation, for the various types of Equipment, including:

<u>Energy Conservation Measure</u>	<u>Estimated Direct Cost</u>
LED Streetlights & Adaptive Controls (18,127)	\$9,880,933
Solar PV	5,547,550
Micro-Cogeneration	404,600
Solar Thermal	311,270
HVAC Unit Replacement	227,975
Outdoor Lighting	205,225
Indoor Lighting	151,297
HVAC Retrocommissioning	144,097
Data Center Efficiency	21,050
Water Conservation	17,430
Indoor Temp Optimization	3,650
<b>Total Direct Cost of Equipment</b>	<b>\$16,915,077</b>

### ***Taxable and Tax-Exempt Financing***

The Finance Department conducted a review of the City facilities to be improved with Equipment in order to determine whether tax-exempt or taxable financing should be utilized. This determination depends on the current use or future use of the facilities where the equipment is to be installed. Facilities that are currently under lease or other use agreement by a private party or likely in the future to be used by a private party are not eligible for tax-exempt financing under IRS regulations. Finance Department staff will continue to work with the City Attorney's Office and bond counsel in order to ensure the each of the proposed sites for tax-exempt financing is eligible before proceeding with tax-exempt financing.

<sup>1</sup> Financing costs include costs for professional services (bond counsel and bank counsel), document hosting services, and the costs associated with purchasing preliminary title reports in order to fulfill a requirement of the Agreement.

### ***Lease Payments, Indicative Pricing, and Prepayment Terms***

Each Lease entered into includes a Payment Schedule that incorporates the lease payment terms. Each Payment Schedule includes, by lease payment date, the total lease payment allocated between principal and interest, and the prepayment price on each given lease payment date.

The Bank offered to hold the interest rates at fixed, not-to-exceed rates for Leases closing on or before May 30, 2014 (the "Rate Lock"). For any Leases closing after May 30, 2014, the interest rate will be determined based on a formula tied to the U.S. Treasury Interest Rate swap rate with the tax-exempt rate at approximately 64% of the taxable rate. The Bank, however, has the discretion to adjust its offered pricing in the event adverse market conditions occur. The all-in Rate Lock for taxable leases range from 3.21% for Equipment with useful lives of 5 years up to 6.01% for Equipment with useful lives of 20 years or more.

On any periodic lease payment date, the City will have the right, with 30 days written notice to the Bank, to prepay in whole (only) the Lease Payments owed under a Lease according to the following prepayment formula: (a) 5 or 7 year useful lives: prepayment after year 3 at 101% of outstanding principal; (b) 10, 12, 15, or 20 year useful lives: prepayment after year 3 at 102% of outstanding principal (years 3-10) and 101% of outstanding principal (years 11-20). The prepayment amounts for all lease payment dates are incorporated into each Payment Schedule.

### ***Initial Leases and Disbursement of Project Funds***

At this time, the plan is to execute two separate Leases after execution of the Agreement in order to finance the projects and related costs. One lease will be executed to finance select Equipment on a tax-exempt basis (the "Tax-Exempt Lease") and the other will be executed to finance the remainder of the Equipment on a taxable basis (the "Taxable Lease") (together, the "Initial Leases"). Overhead costs related to the cost and installation of the Equipment, such as project management costs to be incurred by the City's Public Works Department and the Department of Transportation, and costs to secure the financing, will be allocated between the Initial Leases based on actual billing by project, total costs, or proportionately based on the initial face amounts of the leases. Additional Leases will be executed, only as needed and permitted, for additional or replacement Equipment and related overhead costs.

Upon and subject to the provision of other additional information satisfactory to the Bank, including an executed Lease, the Bank will fund an escrow account with the funds needed to pay Chevron to acquire and install the equipment identified in the Lease, as well as to reimburse the City for project management costs incurred in relation to acquiring and installing the Equipment. The City will enter into an Escrow and Account Control Agreement with Bank of America, N.A. ("BANA") that governs the escrow and disbursement of funds. Disbursement Requests that include approved Chevron invoices and approved staff costs will be submitted to BANA for direct payment.

### ***Sources of Lease Payments***

As discussed above, the Agreement requires that as long as the City has beneficial use of the Equipment, the City will take all necessary actions to include the lease payments required under the leases in the annual budget and to make the necessary appropriations. The City's obligation to budget is based on the beneficial use of the equipment regardless of the realization of any utility costs savings.

Utility cost savings are expected to be realized from the Equipment immediately upon installation and use. Additionally, PG&E rebates, primarily from streetlight retrofits, are anticipated to be received after the completion of installation. The combination of the rebates and on-going utility cost savings are the principal sources of repayment for the Leases. However, although cumulative savings are expected to be realized over the 25 year maximum useful life of the Equipment, staff anticipates that there will be some annual shortfalls between lease payments and annual utility savings that will require contributions primarily from the General Fund during the term of the Initial Leases.

### **Utility Cost Savings and PG&E Rebates**

The realization of on-going and cumulative savings is heavily contingent upon the assumptions made to estimate utility cost savings and the realization of PG&E rebates.

### ***PG&E Rebates***

It is understood that several of the energy improvement measures proposed by Chevron will be eligible for rebates or incentives through PG&E. The rebates can vary in amount, depending on the type of energy measure, with the streetlight conversions to LED technologies expected to be the largest portion of rebates that the City would receive from implementing these measures.

PG&E has indicated the rebate levels for streetlight conversion projects will remain constant throughout calendar year 2014, and as such, staff and Chevron will be focusing much of the initial design, engineering, and procurement activities around the streetlight work. In order to qualify for such rebates, the physical retrofit of the streetlight equipment must be completed by December 31, 2014. For installations that are completed on or after January 1, 2015, a rebate will still be available from PG&E though at a reduced amount.

Rebates offered by PG&E for Conservation Projects, such as indoor and outdoor lighting applications, are expected to be reduced or discontinued by June 30, 2014, due to newer energy standards dictated by Title 24. The impact to these rebates on the total utility savings is still unknown, though it is anticipated that PG&E will provide more details towards the end of June 2014. Starting July 1, 2014, PG&E rebates are anticipated to continue for some of the indoor and outdoor lighting technologies, though the rebate level is not yet known.

The City is assuming current rebate levels in the chart below:

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<u>Energy Improvement</u>	<u>Estimated PG&amp;E Rebate</u>
Streetlights	\$1,034,500
Solar Thermal <sup>2</sup>	119,459
Micro-Cogeneration <sup>2</sup>	28,800
Indoor Lighting <sup>2</sup>	13,014
Outdoor Lighting <sup>2</sup>	<u>8,265</u>
Total	\$1,204,038

### *Utility Cost Savings Assumptions*

Pro forma income statements that illustrated estimated annual and cumulative utility savings associated with the Equipment were developed by Chevron in coordination with Public Works staff. In addition to electrical, gas, and water utility savings, savings from diminished costs for the operation and maintenance of certain Equipment were also included.

Inherent in the estimates of utility savings is the assumption that energy costs will increase 4.5% annually. If actual energy costs increase by more than 4.5% more savings will be realized because of the higher dollar amount of costs avoided due to the efficiencies of the particular Equipment. If actual energy cost increase by less than 4.5% less savings will be realized because of the lower dollar amount of costs avoided.

### *Estimated Savings*

At the April 8, 2014 Council Meeting, the Finance Department presented the projected cost to the General Fund over the term of the leases of the Equipment and the anticipated utility savings over the life of the Equipment. The presentation assumed that both taxable and tax-exempt financing would be used to finance the Equipment and concluded that (1) there would be negative cash flow in the beginning years of the leases, and (2) the General Fund would need to backfill those years when there are not sufficient utility savings to cover the annual lease payments. Additionally, Finance staff presented an analysis of estimated savings, the amount and years that the General Fund would need to subsidize the lease payments, and the year when cumulative utility savings (including PG&E rebates) become equal or greater than the cumulative lease payments (a "break-even" analysis).

It was estimated that if all the financing was done on a taxable basis (1) years 2-11 of the Leases would require a General Fund subsidy that ranges from a high of \$458,000 in year 3 to a low of \$7,000 in year 11, (2) the total General Fund subsidy prior to break-even in year 17 would be \$2.1 million, and (3) total savings, including the PG&E rebates, would be \$8.4 million over 25

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<sup>2</sup> Rebates associated with these energy improvements may be reduced or discontinued prior to the completion of installation of the improvement and, therefore, might not be available in whole or in part.



years. It was also estimated that if 65% of the projects were financed tax-exempt and 35% were financed taxable (1) years 5-7 of the Leases would require a General Fund subsidy that averaged \$45,000 per year, (2) the total General Fund subsidy prior to break-even in year 9 would be \$135,000, and (3) total savings, including the PG&E rebates, would be \$12.5 million over 25 years.

After further review of current and possible future private uses at City facilities that will be improved with Equipment, the plan of finance calls for financing approximately 70% of projects taxable and 30% tax-exempt. Based on the plan of finance, refinement of the projected Payment Schedules, including updated useful life analysis and updated estimated utility cost savings, it is currently estimated that (1) years 2-13 of the Leases will require annual General Fund subsidies that ranges from a high of \$986,000 in year 2 to a low of \$109,000 in year 13, (2) the total General Fund subsidy prior to break-even in year 17 will be \$6.0 million, and (3) total savings, including the PG&E rebates, will be \$12.2 million over 25 years. The loan repayments and General Fund subsidy are higher in the early years due to the acceleration of repayments as a result of shorter useful lives than originally assumed in the preliminary analysis. The estimated total savings reflect the change in the mix of taxable and tax exempt projects and a reduction in the interest being paid for the projects with shorter useful lives.

#### **Additional Terms and Covenants**

The Agreement includes the following key terms and covenants that are briefly summarized below:

Abatement	Lease Payments due under a Lease may be deferred, or abated, when there is substantial interference with the use of Equipment. In such case the Lease Term would be extended for the period of time of abatement with no addition of interest during such time. In the event that the Equipment malfunctions or is destroyed by a cause not covered by insurance, the Agreement provides that the City Manager will recommend to the City Council that the City identify "replacement equipment" that will become the subject of the Lease so that the City may continue to make Lease Payments to the Bank.
Tax-Exempt Lease Requirements	For the Leases that are entered into on tax-exempt basis, the City agrees to abide by all of the IRS regulations related to tax-exempt financings including record keeping and reporting requirements, limitations on investment of the lease proceeds while these funds are held in escrow, and on-going monitoring of the facilities financed to ensure that the City is in compliance with the IRS private activity regulations.

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Determination of Taxability	For any tax-exempt Lease, the Agreement includes a provision that requires the City to pay a taxable rate of interest to the Bank, as well as any fees, penalties, or other costs, in the event all or a portion of the interest on a tax-exempt Lease is determined to be taxable, whether through a change in law or a determination of taxability that is made by the IRS or legal counsel.
Assignment by the Bank	The Bank has the right to assign all or a portion of the right, title and interest in the Agreement, all Leases, the Lease Payments, any amounts payable by the City under any and all Leases and Escrow Agreements, and its security interest in the Equipment to one or more assignees that are either affiliates of the Bank or to a “qualified institutional buyer” or an “accredited investor” meeting the requirements of federal securities laws and regulations. The non-affiliate assignees will be required to sign a Purchaser Letter in which the assignee makes various acknowledgements that it is a sophisticated investor. The form of the Purchaser Letter is included as an exhibit to the Agreement.
Risk of Loss/Pursuit of Remedies Against Contractors	The City bears the risk of loss in the event that the leased equipment malfunctions. The City agrees to exhaust its remedies against the vendor (Chevron) to the extent such exhaustion is financially reasonable. The determination of financial reasonableness is subject to the Bank’s consent.
Vendor Agreements	Following the City’s execution of the Agreement with the Bank, the Bank must give its prior written consent in order for the City to amend its agreement with Chevron.

**Authorization to Execute Documents**

The Agreement with the Bank and the authorizing resolution of the City Council will be posted to the agenda webpage for the City Council meeting on or about May 8, 2014. Staff recommends that the City Manager or the Director of Finance or their designees (the “City Designated Officers”) be authorized to execute the Agreement, as posted, on behalf of the City, with such modifications as the City Designated Officer determines to be desirable or appropriate, upon consultation with the City Attorney.

Staff also recommends that the Designated Officers each be authorized, for a period of two years, to enter into the Initial Leases, and future Leases, according to the Agreement, provided that the maximum interest rate used to determine the interest component of Lease Payments under each Lease shall not exceed the lesser of the maximum rate permitted by law or ten percent (10%) per annum.

### **Financing Team Participants**

The financing team participants consist of:

City Financial Advisor:	Public Financial Management, Inc. ("PFM")
Bond Counsel:	Jones Hall, APLC
Bank:	Banc of America Public Capital Corp
Escrow Agent:	Bank of America, N.A.

- Financial Advisor – PFM serves as one of the City's two Environmental Services Department General Financial Advisors selected through a request for proposal ("RFP") process in June 2012 by the Finance Department.
- Bond Counsel – Jones Hall was one of the firms in the City's pool of firms selected through a RFP process by the City Attorney's Office.
- Escrow Agent – The Bank proposed in its bid to the Finance Department that Bank of America, N.A. ("BANA") serve as the Escrow Agent and staff accepted this request.

### **Financing Schedule**

The current anticipated schedule is as follows:

Council approval of agreements:	May 20, 2014
Master Lease Agreement closing; initial draws of funds/execution of leases:	May 30, 2014

### **PUBLIC OUTREACH/INTEREST**

The form of the proposed agreements will be posted to the agenda webpage for the City Council meeting on or about May 8, 2014.

- ☒ **Criteria 1:** Requires Council action on the use of public funds equal to \$1,000,000 or greater. **(Required: Website Posting)**
- ☐ **Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

- ☐ **Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

### **COORDINATION**

This report was prepared by the Finance Department, Public Works Department, and City Manager's Budget Office in coordination with the City Attorney's Office and the City's Department of Transportation.

### **FISCAL/POLICY ALIGNMENT**

The proposed financing plan is consistent with the City's Debt Management Policy which establishes objectives in order to obtain cost-effective access to the capital markets, which includes minimizing debt service and issuance costs; maintaining access to cost-effective borrowing; and ensuring compliance with applicable State and Federal laws.

### **COST SUMMARY/IMPLICATIONS**

The recommended actions will require the annual appropriation of lease payments for the repayment of costs plus interest. Annual lease payments are projected to average approximately \$1.9 million over 21 years, and will decline substantially in the later years after Equipment with shorter useful lives are paid off (most significantly the streetlight improvements). Actual lease payments will not be known until Leases are executed. However, the 2014-2015 interest only lease payment is estimated to be \$640,000 and the 2015-2016 lease payment is estimated at \$2.7 million.

Annual utility cost savings are not projected to fully cover annual lease payments in all years. The projected amount of utility rebates of \$1.2 million in 2014-2015 to be paid to the City by PG&E is an estimate only and may be lower. It is estimated that there will be funding shortfalls in years 2-13 of the Leases that will require annual General Fund subsidies that range from a high of \$986,000 in year 2 to a low of \$109,000 in year 13. While there is no anticipated net cost to the City in 2014-2015 due to anticipated offset of PG&E rebates, the net costs in future years will need to be factored into the General Fund five-year forecast and budgeted in those years.

Except for the Bank's Rate Lock, the interest rates applicable to any Leases are variable and determined by the market and cannot be predicted. It is uncertain whether the Initial Leases will be executed in time to utilize the Rate Lock, which expires after May 30, 2014. If the Initial Leases are executed prior to expiration of the Rate Lock it is possible that interest rates will be lower than provided for by the Rate Lock, in which case staff will utilize the rates that are most cost effective.

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### **BUDGET REFERENCE**

Budget actions to appropriate funds to make the 2014-2015 lease payments will be brought forward after Leases are entered into and, as a result, the payment obligations are known. It is anticipated that these actions will be brought forward at the beginning of 2014-2015 and will include the recognition of anticipated PG&E rebate revenues to offset this cost.

Compensation for professional services (bond counsel and bank counsel), and other related costs for the financing will be paid from the proceeds of the Initial Leases. The financing costs are estimated to be approximately \$55,500.

### **CEQA**

Streetlight conversions from low-pressure sodium to LED lighting: Exempt, File No. PP11-002.

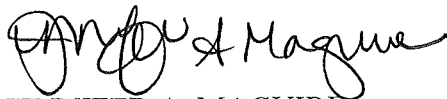
Building Energy Upgrades: Exempt, File Numbers PP13-111 through PP13-117, PP14-003, and PP14-004.

/s/

JULIA H. COOPER  
Director of Finance

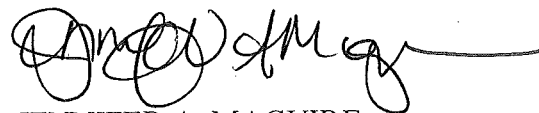
/s/

DAVID SYKES  
Director of Public Works



JENNIFER A. MAGUIRE  
Deputy City Manager/Budget Director

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2013-2014 moneys in excess of those heretofore appropriated there from: said excess being at least \$27,063,635.



JENNIFER A. MAGUIRE  
Deputy City Manager/Budget Director

Attachment

For questions, please contact Maria Öberg, Treasury Division Manager, Finance, at (408) 535-7045.

## ENERGY CONSERVATION PROJECTS

Estimated Useful Life (years):														
Financing Tax Status	City Facility	LED Streetlights & Adaptive Controls	5					15					20	
			HVAC Retro-commissioning	Data Center Efficiency	Water Conservation	Indoor Temp Optimization	Indoor Lighting	Micro-Cogeneration	HVAC Unit Replacement	Outdoor Lighting	Solar PV	Solar Thermal		
Taxable	Streetlights	x												
Taxable	Bascom Community Center and Library		x		x		x			x				
Taxable	Camden Community Center and Pool							x				x		
Taxable	Leininger Community Center				x		x							
Taxable	Mayfair Community Center and Pool		x				x	x		x	x			
Taxable	Museum of Art		x						x					
Taxable	Northside Community Center				x		x			x				
Taxable	Seven Trees Community Center and Library		x		x									
Taxable	Shirakawa Community Center				x		x		x	x	x			
Taxable	South Service Yard				x		x							
Tax-Exempt	Berryessa Library				x		x			x				
Tax-Exempt	Edenvale Library		x		x	x	x				x			
Tax-Exempt	Fire Station #02						x			x	x	x		
Tax-Exempt	Fire Station #13					x	x					x		
Tax-Exempt	Fire Station #34						x			x	x	x		
Tax-Exempt	Police Administration Building		x	x	x					x	x			